ORIGINAL

BEFORE THE

Federal Communications Commission

WASHINGTON, D.C.

ORIGINAL FILE

In the matter of	)	
	)	
Motorola Satellite Communications, Inc.	)	ET Docket No. 92-28
	)	PP-32
Request for Pioneer's Preference to Establish a Low-Earth Orbit Satellite System in the 1610-1626.5 MHz Band	)	
	)	
In the matters of	)	
	)	
Ellipsat Corp.; TRW Inc.; Constellation Communications, Inc.	)	FOIA Control Nos. 92-83, 92-88, 92-86
	)	
On Request for Inspection of Records	)	

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JUN 12 1992

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

APPLICATION FOR REVIEW OF PROTECTIVE ORDER

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SUMMARY

AMSC seeks Commission review of an OET protective order providing only conditional access to certain materials that MSCI submitted in support of its Pioneer's Preference request.

AMSC has not reviewed the protected materials because to do so would expose AMSC to a future trade secret misappropriation claim by MSCI. AMSC is in the process of building the U.S. MSS system and at least some of the information contained in the protected MSCI material likely overlaps with information that AMSC has obtained or developed independently as part of its own efforts. Due to this overlap, MSCI could claim that AMSC in fact developed its technology by stealing trade secrets from MSCI's protected materials. The burden then would be on AMSC to establish that it had developed the information itself independently of its review of MSCI's material, which as a practical matter is a virtually impossible task.

For this reason, the OET Protective Order effectively denies AMSC access to the MSCI materials. AMSC thus cannot participate fully in the MSCI Pioneer's Preference proceeding, a proceeding which could have a direct impact on the mutually exclusive applications of AMSC, MSCI and other proponents of MSS systems in the RDSS band.

The OET decision to issue the Protective Order omits sufficient findings that the materials qualify as exempt from disclosure or that there should be any restrictions on access to the materials by interested parties such as AMSC.

AMSC urges the Commission either to provide for unconditional access to the MSCI materials or to exclude the materials from consideration in connection with MSCI's Pioneer's Preference request. Interested parties must have an opportunity to comment on the materials that a proponent submits in support of its Pioneer's Preference request.

The heart of a Pioneer's Preference request is the proponent's technology. If the proponent can limit access to the evidence that it submits concerning the feasibility and innovation of its technology, the Commission will be unable to make a reasoned decision on the merits of the request. MSCI put these issues into play in its quest for a Pioneer's Preference; it is MSCI that stands to gain if its request is granted. Therefore, MSCI should be forced either to decide that its proprietary interests are paramount and shield the material completely, or to commit itself to its Pioneer's Preference request by subjecting its technology to the test of full public scrutiny.

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APPLICATION FOR REVIEW OF PROTECTIVE ORDER

AMSC Subsidiary Corporation ("AMSC"), by its attorneys, hereby urges the Commission to review the decision of the Office of Engineering and Technology to provide only conditional access to certain materials submitted by Motorola Satellite Communications, Inc. ("MSCI") in support of its above-referenced Pioneer's Preference request. Protective Order, DA 92-674 (May 28, 1992).[1/] The MSCI materials purport to include trade secrets and other information that relate to the design of MSCI's proposed mobile satellite system.

1/ AMSC is submitting concurrently herewith a motion for stay requesting that the Commission stay all further action on MSCI's Pioneer Preference request pending the resolution of the issues raised in this Application for Review.

The conditional access the Commission is providing to AMSC effectively denies AMSC access to the materials. As the licensee of the U.S. MSS system, AMSC is in the process of independently developing its own technology in many of the areas that appear to be the subject of the MSCI submission. Despite these independent efforts, by reviewing the protected materials, it becomes virtually impossible for AMSC to defend successfully against a future claim by MSCI that AMSC's technology development was the result of AMSC's theft of MSCI trade secrets.

The Office of Engineering and Technology has not made a determination on the record that the MSCI materials contain trade secrets or that the balance of the necessary interests properly favors limiting their disclosure and subjecting reviewing parties such as AMSC to the substantial exposure that will result from potential misappropriation claims.

AMSC is aggrieved by the staff action. The Protective Order essentially denies AMSC the opportunity to review and comment on materials upon which MSCI appears to be relying to rebut challenges AMSC and others have made to the technical feasibility and merit of MSCI's basic system design and to its Pioneer's Preference request. This application seeks resolution of the following issues:

(1) May the Commission deny AMSC access to the MSCI materials without making specific findings on the record?

(2) Should the Commission permit an applicant for a Pioneer's Preference to rely on materials the distribution of which is limited in the manner prescribed by the Protective Order?

As set forth below, the Commission's omission of specific findings on the record before restricting access to MSCI's supplemental filing is contrary to the Freedom of Information Act, 5 U.S.C. Section 552, case precedent, and Commission policy and procedure. Even assuming that the Commission could make reasoned findings on the

record that the MSCI materials properly could be exempted from mandatory disclosure, a decision to rely on the protected materials either would conflict with Commission precedent or would be an application of policy that should be overturned.

Background

AMSC and MSCI are among six applicants that are proposing to use at least a portion of the spectrum currently allocated to the Radiodetermination Satellite Service ("RDSS").[2/] AMSC proposes to use the 1616.5-1626.5 MHz band in the Earth-to-space direction for the mobile links on its second and third satellites to supplement the adjacent Mobile Satellite Service ("MSS") frequencies previously assigned to AMSC by the Commission.[3/] MSCI proposes to use the 1616.5-1626.5 MHz band in both Earth-

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2/ The bands 1610-1626.5 MHz (Earth-to-space) and 2483.5-2500 MHz (space-to-Earth) are allocated to RDSS. In addition to the applications filed by AMSC (File Nos. 15/16-DSS-P-MP-91) and MSCI (File Nos. 9-DSS-P-91(87), CSS-91-010), applications to use portions of the RDSS bands have also been filed by Constellation Communications, Inc. ("Constellation") (File Nos. 17-DSS-P-91(48), CSS-91-013), Ellipsat Corporation ("Ellipsat") (File Nos. 11-DSS-P-91(6) and 18-DSS-P-91(18)), Loral Qualcomm Satellite Services, Inc. ("Loral") (File Nos. 19-DSS-P-91(48), CSS-91-014), and TRW Inc. ("TRW") (File Nos. 20-DSS-P-91(12), CSS-91-015). All of these applicants also have submitted petitions for rulemaking in connection with their applications. See Petition of AMSC (June 3, 1991); Petition for Rulemaking and Request for Pioneer's Preference of Constellation (June 3, 1991); Petition for Rulemaking of Ellipsat (July 29, 1991); Petition for Rulemaking of Loral (November 4, 1991); Petition for Rulemaking of MSCI (October 16, 1991); Petition for Rule Making and Request for Pioneer's Preference of TRW (July 8, 1991).

3/ AMSC is presently authorized to construct, launch and operate three satellites in the 1545-1559 MHz/1646.5-1660.5 MHz bands. AMSC has demonstrated that the large number of proposed foreign systems seeking to use the current MSS allocation makes it difficult for AMSC to secure sufficient spectrum in the international frequency coordination process for full development of the U.S. MSS system. See Comments of AMSC, Gen. Docket No. 89-554 (December 3, 1990), at 3-6; see also Reply Comments of AMSC, RM-7806, RM-7771, RM-7773, RM-7805 (November 14, 1991), at 7-8; Comments of AMSC, ET Docket No. 92-9

(continued...)

to-space and space-to-Earth directions for the mobile links of a low-Earth orbit MSS system that it first proposed in 1990. By MSCI's estimate, its proposed system is to cost more than $3.7 billion.[4/]

The Commission proceedings involving the RDSS band applications have been highly contentious.[5/] One of the central issues is the technology proposed by each of the applicants, and particularly the ability of each system to viably share the RDSS bands with existing users of those frequencies and with each other. AMSC's technical analysis shows that MSCI's system would severely interfere with existing users of the bands, and that, when proper account is taken of the need to reduce power and avoid using problematic frequencies in order to avoid interference, the system will not have the capacity necessary to be financially viable.[6/] AMSC also has demonstrated that MSCI's system would not be able to produce the necessary spacecraft power levels, and that

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3/(...continued)
(June 8, 1992), at 3-4. AMSC also has demonstrated that these additional frequencies can be added to AMSC's system for less than $10 million. Id.

4/ See Application of MSCI, File Nos. 9-DSS-P-91(87), CSS-91-010, at 113-15.

5/ Among the comments critical of MSCI's proposed system are the following: Petition of AMSC, RM-7806 (June 3, 1991); Petition to Deny of AMSC, File Nos. 17-DSS-P-91(48), CSS-91-013 et al. (December 18, 1991); Comments of Constellation, File Nos. 9-DSS-P-91(87), CSS-91-010 (June 3, 1991); Petition to Deny or Dismiss and Opposition to Waiver Request of Ellipsat, File Nos. 9-DSS-P-91(87), CSS-91-010 (June 3, 1991); Consolidated Opposition of Loral to Petitions to Deny, File Nos. 19-DSS-P-91(48), CSS-91-014 (January 31, 1992), at Section II and Technical Appendix; Consolidated Response of TRW, File Nos. 15/16-DSS-P-91 et al. (March 27, 1992), at 12-19.

6/ See Petition of AMSC, RM-7806 (June 3, 1991), at 22-23 & Technical Appendix; Petition to Deny of AMSC, File Nos. 17-DSS-P-91(48), CSS-91-013 et al. (December 18, 1991), at 7-11 & Technical Appendix. AMSC has shown that MSCI's system would provide less than 10 voice channels when these interference considerations are taken into account. Petition of AMSC, RM-7806 (June 3, 1991), Technical Appendix, at 59-61.

MSCI's inter-satellite links are likely to be subject to failures and blocking, resulting in interrupted and dropped calls.[7/]

With the exception of AMSC, all of the applicants have submitted requests for a Pioneer's Preference for their respective system proposals.[8/] Pursuant to the Commission's new rules establishing a Pioneer's Preference, the grant of such a preference will assure an otherwise qualified recipient that it will receive a license to operate its system regardless of the merits of any mutually exclusive application.[9/] Since MSCI's proposed system is mutually exclusive with those of AMSC and the other applicants, and MSCI seeks a nationwide preference, a grant of MSCI's Pioneer's Preference request thus necessarily requires dismissal of the other applications.

The entitlement of any of the proposed RDSS band systems to a Pioneer's Preference has been a subject of much dispute. AMSC has opposed MSCI's request on the grounds that: (i) MSCI has not established the technical feasibility of its proposed system; (ii) rather than proposing a new service, MSCI merely seeks to provide MSS in new bands; (iii) its proposals does not offers any spectrum-efficient enhancement of an existing service; and (iv) its system proposal does not feature any technological

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7/ Petition of AMSC, RM-7806 (June 3, 1991), Technical Appendix, at 49-52. In contrast, AMSC can add the RDSS spectrum to its existing system in a highly-reliable manner, as a supplement to its current frequencies that will add substantial capacity to the U.S. MSS system and do so at low cost.

8/ See Request for Pioneer's Preference of Constellation, PP-29 (February 20, 1992); Request for Pioneer's Preference of Ellipsat, PP-30 (July 29, 1991); Request for Pioneer's Preference of Loral, PP-31 (November 4, 1991); Request for Pioneer's Preference of MSCI, PP-32 (July 30, 1991); Request for Pioneer's Preference of TRW, PP-33 (September 6, 1991).

9/ See Establishment of Procedures to Provide a Preference to Applicants Proposing an Allocation for New Services, 6 FCC Rcd 3488, 3492 (1991), recon. granted in part, 7 FCC Rcd 1808 (1992).

innovations that would warrant a Pioneer's Preference. Moreover, MSCI is asking for a nationwide Pioneer's Preference, which the Commission has said it will grant only in cases of extraordinary merit.[10/]

On April 10, 1992, two days after comments on the RDSS band Pioneer's Preference requests were due, MSCI submitted a supplement to its Pioneer's Preference request.[11/] The supplemental filing included the materials at issue here for which MSCI requested confidential treatment.[12/] The MSCI supplement and MSCI's request for confidential treatment were opposed by a number of the competing RDSS applicants.[13/]

10/ Constellation, Ellipsat, Loral and TRW also oppose MSCI's Pioneer's Preference request. See Opposition of Constellation to Pioneer's Preference Request of MSCI (April 8, 1992); Opposition of Ellipsat to Pioneer's Preference Request of MSCI (April 8, 1992); Opposition of Loral to MSCI's Request for Pioneer's Preference (April 8, 1992); Opposition of TRW to Pioneer's Preference Request of MSCI (April 8, 1992). They are critical of MSCI's failure to demonstrate its innovation or the technical feasibility of the system, and the apparent interference problems caused by bidirectional operation.

Indeed, while Constellation, Ellipsat, Loral and TRW have requested a Pioneer's Preference for their respective proposals, these applicants now oppose the very concept of a Pioneer's Preference. TRW filed a petition for reconsideration of the Commission's adoption of Pioneer's Preference rules, and has requested a stay of the RDSS band Pioneer's Preference proceeding pending the reconsideration. See Petition for Further Reconsideration of TRW (April 6, 1992); Motion for Stay of TRW (May 5, 1992). The TRW stay request has been supported by Constellation, Ellipsat and Loral. See Comments of Constellation (May 19, 1992); Comments of Ellipsat in Partial Support of Motion for Stay (May 19, 1992); Comments of Loral on Motion for Stay of TRW (May 19, 1992).

11/ See Supplement to Request for Pioneer's Preference of MSCI (April 10, 1992).

12/ See Attachments to Supplement to Request for Pioneer's Preference of MSCI (April 10, 1992), Tab E (letter to the Secretary of the Commission from Philip L. Malet).

13/ See Ellipsat's Motion to Strike Supplement to Request for Preference, or, Alternatively, to Establish New Comment Dates (April 21, 1992); Ellipsat's Opposition to Request for Confidential Treatment (April 21, 1992); Loral's Motion to Strike and Opposition to Supplement to Request for Pioneer's

(continued...)

In addition, Constellation, Ellipsat and TRW filed requests under the Freedom of Information Act ("FOIA") for inspection of MSCI's confidential materials.[14/]

In response to the FOIA requests, the Frequency Allocation Branch of OET partially granted and partially denied the FOIA requests, stating that certain of the materials (those at issue here) were trade secrets and confidential business information exempt from mandatory disclosure.[15/] As to these materials, OET ruled without elaboration that confidential treatment would be afforded, and that these materials would be considered in determining MSCI's entitlement to a Pioneer's Preference if MSCI agreed to a protective order under which the materials could be reviewed by Commission staff and other "specified individuals."

MSCI thereupon agreed to the release of the material at issue here pursuant to the entry of a suitable protective order.[16/] As listed in the May 11 letter, the material MSCI has submitted to be covered by the Protective Order is as follows:

1. Patent application materials relating to MSCI's system, described as follows:

13/(...continued)
Preference (April 23, 1992); Loral's Opposition to Request for Confidential Treatment (April 23, 1992); TRW's Motion to Strike or, in the Alternative, to Place Motorola Supplement on Public Notice (April 23, 1992); TRW's Opposition to Request for Confidential Treatment of Ex Parte Presentations (April 23, 1992). See also Consolidated Reply Comments of AMSC on Requests for Pioneer's Preference (April 23, 1992), at 9-10 n.23.

14/ Freedom of Information Act Request of Constellation (April 23, 1992); Freedom of Information Act Request of Ellipsat (April 21, 1992); Freedom of Information Act Request of TRW (April 27, 1992).

15/ Letter from David R. Siddall to Norman P. Leventhal (May 4, 1992). (A copy of the May 4 letter is attached hereto as Exhibit A.) Similar letters apparently were sent to counsel for Ellipsat and Constellation. AMSC was not served with a copy of this letter and the letter was not referenced as part of any FCC public notice.

16/ Letter from Philip L. Malet to David R. Siddall (May 11, 1992). (A copy of the May 11 letter is attached hereto as Exhibit B.)

a. "Satellite Cellular Telephone and Data Communications System"
b. "Position Aided Subscriber Unit for a Satellite Cellular System"
c. "Telemetry, Tracking and Control for Satellite Cellular Communication Systems"
d. "Method of Predicting Cell-to-Cell Hand-Off's for a Satellite Cellular Communications System"
e. "Eleven Abstracts of Disclosure and Accompanying Diagrams" (titles of the patent applications only; MSCI requested the remainder be returned)

2. Preliminary results of propagation experiments, described as follows:

a. "L-Band Propagation Data Collection" (except for three pages that MSCI requested be returned)
b. "Propagation Measurement Antenna Characterization" (first four pages only; MSCI requested that the remainder be returned)
c. "The [E]ffect of Multipath Propagation in the IRIDIUM^{tm} System" (first three pages only; MSCI requested that the remainder be returned)

3. Videotape of the operation of a computer program of satellite link simulation.

4. Videotape of a land mobile simulation of MSCI's system.

Following a meeting of Commission staff and counsel for the RDSS band applicants (at which AMSC objected to confidential treatment of the MSCI materials), the Office of Engineering and Technology issued the Protective Order at issue here. Protective Order, DA 92-674 (May 28, 1992). (A copy of the Protective Order is attached hereto as Exhibit C.) Under the Protective Order, the confidential MSCI material listed above may be disclosed only to counsel for the respective applicants, and to persons requested by counsel to furnish technical advice or prepare material for filings in the Pioneer's Preference proceeding. Counsel may disclose the material to their associated attorneys and support staff only on a "need to know basis."

The Protective Order sets forth a number of very detailed requirements concerning handling and disclosure of the confidential material. For example, counsel

must sign an "Attorney Application" form for access to the material, in which counsel must certify that they will abide by the terms of the Protective Order, and must certify at the conclusion of the proceeding that "no material whatsoever derived from such Confidential Information has been retained by any person having access thereto." The applicants also must provide to both the Commission and MSCI the name and affiliation of any person other than counsel to whom the material is disclosed or provided.

The applicants may reference the protected information in pleadings filed in this proceeding only under the following conditions: (i) any portions of the pleading that contain or disclose protected information must be physically segregated from the rest of the pleading; (ii) any such portions must be covered by a separate letter referencing the Protective Order; and (iii) each page of the filing that contains or discloses the protected information must be clearly marked "confidential information included pursuant to Protective Order, DA 92-674." The "confidential portion" of any pleading is not to be placed in the Commission's public file.

Finally, the Protective Order provides that disclosure of the protected materials shall not be deemed a waiver by MSCI "in any other proceeding" of any privilege or right to confidentiality. Any party inspecting the material must agree not to assert such a waiver and that accidental disclosure does not constitute a waiver of the privilege.

Since the issuance of the Protective Order, other proponents of Pioneer's Preferences have asked for similar treatment for confidential material. On June 5, 1992, Ellipsat, another RDSS-band applicant, submitted such a request.[17/]

17/ Letter from Jill Abeshouse Stern to Donna R. Searcy (June 5, 1992). Ellipsat's request for confidential treatment has been denied on the ground that the substance of the information it submitted is already in the public record. See

(continued...)

Discussion

I. The Conditional Access Provided by the Protective Order Effectively Denies AMSC Access to the Materials

AMSC is actively engaged in research and development in numerous areas of satellite communications that are closely related to much of what might be contained in the MSCI's materials. See Affidavit of William Garner, AMSC Chief Scientist (attached hereto as Exhibit D). Therefore, in considering whether to avail itself of the right to inspect the MSCI submission under the terms and conditions of the Protective Order, AMSC must take into account the possibility that at some point MSCI might claim that, in violation of the Protective Order, AMSC stole MSCI trade secrets and used them for AMSC's own benefit. Given similarities in the focus of research being conducted by AMSC and MSCI, AMSC surely has developed or will develop technology for its own MSS system that MSCI could claim were derived from information contained in MSCI's protected materials. As discussed below, even if AMSC were to develop this technology entirely independently of its access to the MSCI material, it would be virtually impossible for AMSC to defend effectively against a trade secret misappropriation action by MSCI.

To establish a claim of misappropriation of trade secrets, the plaintiff must prove the following elements:

1. Plaintiff is the owner of a trade secret;

2. Plaintiff disclosed the trade secret to Defendant; or Defendant wrongfully took the trade secret from Plaintiff without Plaintiff's authorization;

17/(...continued)
Letter from David R. Siddall to Jill Abeshouse Stern (June 10, 1992). The "confidential" material submitted by Ellipsat was returned to Ellipsat. Id.

3. Defendant was in a legal relation with reference to Plaintiff as a result of which Defendant's use or disclosure of the trade secret to Plaintiff's detriment is wrongful;

4. Defendant has used or disclosed (or will use or disclose) the trade secret to Plaintiff's detriment.

Milgrim, Trade Secrets, Sec. 7.07[1] (Matthew Bender, 1984).

As to the first element, the concept of trade secrets is broadly defined. The Restatement of Torts, at Sec. 757, quoted in Aronson v. Quick Point Pencil Co., 440 U.S. 257, 266 (1979) provides:

> A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.

The Uniform Trade Secrets Act, which has been adopted in more than 20 states, defines a trade secret as:

> information, including a formula, pattern, compilation, program, device, method, technique or process, that:
>
> (i) derives independent economic value, present or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
>
> (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Thus, anticipating a trade secret theft claim by MSCI, AMSC must assume that at least some of the information submitted by MSCI would qualify as trade secrets. Whatever merit there is to that claim will be enhanced by the finding of the Office of Engineering and Technology in issuing the Protective Order.[18/]

18/ The Protective Order attempts to preserve the "trade secret" status of the information, notwithstanding disclosure of the information which would ordinarily

(continued...)

Indeed, AMSC's own good faith compliance with the order could be used to establish that the materials contain protected trade secrets. Such inferences could be drawn from counsel's execution of the Attorney Application for Access, its certification at the close of the proceeding that no materials have been retained, and the captioning of pleadings as "confidential . . . pursuant to protective order." See Milgrim, supra, at Sec. 7.07[1][a] ("An alternative mode of proof to establish secrecy occurs by a showing that the defendant has himself, in past dealings regarded the matter as a trade secret."). See also, Sperry Rand Corp. v. Pentronix, 311 F.Supp. 910, 918, 166 U.S.P.Q. 189 (E.D.Pa. 1970) (one of the individual defendants had cautioned other employees to observe secrecy of information); Felmlee v. Lockett, 351 A.2d 273, 277 (Pa. 1976) (trade secret status proven in part by defendant's own acknowledgements).

The second and third elements of a potential trade secret theft claim by MSCI would be even more clearly established, once AMSC reviewed the MSCI materials under the terms of the Protective Order. As to the second element, there could be no question that AMSC would have had access to the materials. AMSC could limit distribution of the materials, but the same personnel that would be involved in the review of the MSCI

18/(...continued)

vitiate that status, by requiring the reviewing parties to disavow their right to assert a waiver defense against MSCI. Further, the Protective Order presumes to bind even non-parties, and state courts of competent jurisdiction, by providing that the disclosure, "shall not be deemed a waiver by Motorola in any other proceeding, judicial or otherwise...." (para. 8). In this respect the Protective Order intrudes upon the domain of state courts to determine the requisites of, and defenses to, a state law cause of action. While the Commission has authority in proper circumstances to keep a trade secret confidential, it does not have authority to dictate the state law consequences of voluntary disclosure to a federal agency, or limited disclosure to competitors. Cf., Kewanee Oil Co. v. Bicron Corporation, 416 U.S. 470, 479 (1974) ("States may hold diverse viewpoints in protecting intellectual property relating to invention....").

materials also are critical to AMSC's technology development effort. As discussed in Mr. Garner's affidavit, AMSC cannot risk losing key personnel involved in technology development in order to participate effectively in the Pioneer's Preference proceeding. As to the third element, the Protective Order itself establishes the legal relationship that would render use of the trades secrets wrongful if such use were other than as permitted by the Protective Order.

The fourth element of a cause of action for misappropriation of trade secrets, detriment to MSCI, would be satisfied if the trade secrets alleged to have been misappropriated were successfully employed by AMSC in the development of its MSS system.

Thus, were AMSC to independently develop processes, techniques or other information similar to those disclosed under the terms of the Protective Order, MSCI, without more evidence than the Protective Order and a bare allegation of measurable damages would have a prima facie case of trade secret misappropriation. Upon MSCI's prima facie showing of the elements of a misappropriation case, the burden would shift to the defendant, and AMSC would have to prove that it had independently developed the information which it used. Milgram, at para. 7.07[2][a]; see also, Cybertek Computer Products, Inc. v. Whitfield, 203 U.S.P.Q. 1020, 1024-1025 (Cal.Supr.Ct. 1977). As a practical matter, the defense of independent development is very difficult to establish.

> To disprove misappropriation, defendant must show either that it had no access to plaintiff's trade secret or that it acquired the same by proper means -- reverse engineering, public domain source or independent design. As a practical matter, however, if defendant had access, proof of an independent, untainted method of acquiring the trade secret will be extremely difficult without substantial documentation.

"Trial Techniques in Trade Secret Cases," M. Margaret McKeown and Heidi L. Sachs, Intellectual Property Counseling and Litigation, L. Horwitz and E. Horwitz, eds. (Matthew Bender, 1991) Sec. 84.04[3][b]. (Emphasis added.)

Thus, the effect of the Protective Order is to condition AMSC's right to participate meaningfully in the Pioneer's Preference proceeding upon willingly exposing itself to a prima facie claim of misappropriating trade secrets, against which there is little practical defense. Under these circumstances, the right to participate is illusory.[19/]

II. The Office of Engineering and Technology Failed to Make the Necessary Specific Findings on the Record

The Protective Order establishing only conditional access to the MSCI materials should have included a series of explicit and reasoned findings, based on a complete record and public comment, that the materials submitted by MSCI indeed merit some form of confidentiality.[20/] Yet the only record basis for the restricted access imposed by the Protective Order is the following statement in the May 4 letter:

> . . . I have reviewed the materials in question. . . . I have determined that pursuant to Section 0.457(d) of the Commission's rules, the information . . .

19/ In recent years, MSCI's parent company, Motorola, Inc., has filed several lawsuits accusing competitors of stealing trade secrets. See Motorola, Inc. v. Computer Displays Int'l, Inc., 739 F.2d 1149 (7th Cir. 1984) (accusing former employees of designing CRT monitors based on Motorola trade secrets); see also UPI, Jan. 23, 1990, Financial Section (seeking several hundred million dollars in damages from Hitachi Ltd. for patent violations); N.Y. Times, Sept. 7, 1988, at D24, col. 4. (suing Cypress Semiconductor Corporation and five former Motorola employees for conspiring to steal trade secrets); Computerworld, Dec. 23, 1985, at 42 ($20 million lawsuit against Mostek Corp. for allegedly conveying product information to the federal government); UPI, Feb. 15, 1984, Financial Section ($2 million lawsuit against a company composed of five former employees alleging theft of trade secrets).

20/ The agency has the burden to establish all of the elements of the exemption. Critical Mass Energy Project v. NRC, 830 F.2d 278, 286 (D.C. Cir. 1987).

> constitute[s] trade secrets and commercial information and therefore are exempt from disclosure pursuant to Exemption 4 of the Freedom of Information Act.

Letter to Norman P. Leventhal, CN92-88 (May 4, 1992).

A protective order must be the result of a two-step process. The first step is a threshold inquiry into whether the MSCI materials are exempt from mandatory disclosure under FOIA Exemption 4.[21/] Board of Trade v. Commodity Futures Trading Commission, 627 F.2d 392, 401 (D.C. Cir. 1980). If the materials are not exempt from disclosure, they must be made available without restriction. FOIA does not provide for limited disclosure or degrees of disclosure. Julian v. Department of Justice, 806 F.2d 1411, 1419 n. 7 (9th Cir. 1986), aff'd, 486 U.S. 1 (1988). If the materials are found to be exempt, a second inquiry into the propriety and extent of disclosure must be undertaken. Board of Trade, supra. Thus, a decision to restrict access can only follow a determination that the information sought is exempt from mandatory disclosure. The Commission may restrict access only to information to which it rightfully could deny access altogether.

The threshold determination of whether FOIA Exemption 4 is applicable requires the agency first to examine the requested documents in unredacted form and, applying specific tests (discussed below), ascertain whether they contain protected information. See, e.g. Board of Trade, supra. This inquiry must be made on the record and the agency must articulate the reasons for its decision. Cf. Dunkley Refrigerated Transport, Inc. v. U.S., 416 F. Supp 814, 819 (D.C. Utah 1976) (agency order must be sufficiently

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21/ Exemption 4 of FOIA protects "trade secrets and commercial or financial information obtained from a person [which is] privileged or confidential." 5 U.S.C. 552(b)(4).

clear and complete so that reviewing court need not guess as to order's rationale and can discern with confidence agency's underlying reasons).

In making the initial determination as to whether the documents submitted contain proprietary information, the record must show that the information is: (i) commercial or financial; (ii) obtained from a person; and (iii) privileged or confidential. Board of Trade, supra at 403. In this case, there is little basis for questioning whether the first two elements are satisfied. The record, however, contains no reasoned analysis whatsoever as to whether the MSCI documents are privileged or confidential. In order to so conclude, the agency must make two determinations. First, it must conclude that the information for which protection is sought would not customarily be released to the public by the person from whom it was obtained. Critical Mass, supra at 281. Second, the agency must determine that disclosure would harm a specific interest that Congress sought to protect by enacting the exemption. Id. Under this "impairment" portion of the analysis, information is confidential if disclosure would be likely: (i) to impair the Government's ability to obtain necessary information in the future or (ii) to cause substantial harm to the competitive position of the person from whom the information was obtained. Critical Mass, supra at 282.[22/] If impairment is found, it must be quantified, since a minor impairment cannot overcome the disclosure mandate of FOIA. Id. at 283, citing Washington Post Co. v. HSS, 690 F.2d 252, 269 (D.C. Cir. 1982) (case remanded to agency to make findings on the extent to which the government's ability to obtain information would be impaired by disclosure.)

22/ The Court did not foreclose the consideration of other interests that might be "impaired" by release of information.

The implementation of these procedures is necessarily complex and time-consuming, but it is an essential prerequisite to restriction or denial of access to documents that are to be considered as part of the record in an agency proceeding. Moreover, the inquiry is not resolved if a determination is made that the information is in fact protected. Once the Commission has determined that it has the power to restrict or foreclose access, it must decide whether and to what extent access actually should be restricted.

In another important case with wide-ranging implications, the Commission recently implemented more appropriate and comprehensive procedures before ruling on a request for Exemption 4 protection. In Commission Requirements for Cost Support Material to Be Filed with Open Network Architecture Access Tariffs, 7 FCC Rcd 521 (CCB 1991) ("ONA I"), the Commission considered whether Switching Cost Information Systems (SCIS) computer models used for apportioning costs among basic service elements in Open Network Architecture (ONA) plans should be available for public inspection. In that case, the Commission analyzed carefully and on the record the facts and the various competing interests. First, the Tariff Division asked the proponents of confidentiality (the Bell Operating Companies) to supply information describing the extent and methods of SCIS disclosure in state proceedings. Second, the Commission conducted an extensive in camera review of one SCIS model to determine whether in fact proprietary and trade secret information were included. Third, the Commission released an order (ONA I) in which it explained in detail its decision that the SCIS information was exempt from mandatory disclosure under FOIA Exemption 4. The ONA I order stands in stark contrast to the one sentence conclusion in the OET findings in this case.

Moreover, even the issuance of the well-reasoned ONA I order did not end the Commission's inquiry. The question remained whether full or partial denial of access was to be imposed based on the exempt status of the material. To deal with this issue, the Commission invited comment from interested parties. Ultimately, the Commission released a second comprehensive order that fully accounted for its decision to make the materials available only pursuant to a protective order. Memorandum Opinion and Order, 7 FCC Rcd 1526 (CCB 1992) ("ONA II").

In this case, the Protective Order omits a rational, articulated basis for its imposition. While OET apparently has determined that the MSCI materials contain at least some proprietary material exempt from mandatory disclosure, there is no record explanation of this decision, so there is no record from which a reviewing authority may determine whether the action is correct. Similarly, there is no explanation of how access to the MSCI information justifiably could be so greatly restricted. It is the Commission's burden to establish that access may be denied, and this burden mandates careful findings on the record.

III. The Commission Should Provide Unconditional Access to the MSCI Materials or Exclude the Materials from Consideration

Without the benefit of any record support for the Protective Order, AMSC cannot challenge directly the decision that the MSCI submission is subject to exemption. Based on the evidence that is available, however, AMSC still may assert with confidence that the Commission should reject the MSCI materials as support for a Pioneer's Preference or should make the material available without restriction.

As discussed above, once an agency determines that an exemption applies to certain material, it must then balance the interests involved to determine whether the information should be made available despite its "protected" status. ONA II at para. 27-28. Agencies contemplating disclosure of competitively sensitive material must consider: (i) whether disclosure of the detailed information will aid in the discharge of the agency's functions; (ii) the extent of the harm to the public, as well as information submitters, from the release of competitively sensitive materials; and (iii) whether less extensive disclosure may provide the public with adequate knowledge while protecting proprietary information. Id. at para. 28. Under this "discretionary disclosure" test, MSCI's submission should be made available without restriction or rejected as a basis of decision.

The first inquiry is whether disclosure of the material will aid the Commission in the discharge of its function, here the award of a Pioneer's Preference and, indirectly, the allocation and assignment of the RDSS bands. As this is a contested case subject to the Commission's ex parte rules and no exceptions appear to apply, the Commission should not even consider the MSCI submission unless it is disclosed at least to the parties. Thus, disclosure is mandatory, not merely advisable.

Moreover, any precedent that the Commission establishes in favor of conditional access in this case will have tremendous impact on other similar cases. Already, in the wake of the MSCI Protective Order, Ellipsat has filed a similar request to supplement its Pioneer's Preference request with confidential material. Other proponents of a Pioneer's Preference for other spectrum undoubtedly will follow suit. Each and every one of the Pioneer's Preference requests, by virtue of their claim to being innovative, could involve substantial reliance on so-called trade secrets. Moreover, some of the data that MSCI would withhold from the public domain, such as signal propagation results and

attenuation projections, appears to be the type of information that would be required routinely of an applicant for access to the spectrum.

Indeed, the Commission's Pioneer's Preference rules clearly require applicants to provide experimental data or demonstrations of technical feasibility. Report and Order, para. 39. This type of information is always subject to characterization as trade secrets. The routine grant of protective orders thus would hide from public and peer scrutiny critical evidence on perhaps the central issue in these proceedings. Technical feasibility certainly is a central issue in the case of the MSCI Pioneer's Preference request.[23/]

In addition, once the Commission begins to rule upon confidentiality requests for materials submitted in support of Pioneer's Preference applications, it will find itself engaged in line-by-line redactions from the initial application. It will find itself serving as a repository, akin to the U.S. Copyright Office and the U.S. Patent Office, in which trade secrets are "registered" with the Commission.

Equally problematic, if it is to issue such orders, the Commission can hardly decline to enforce them. This raises the prospect of the Commission conducting investigations to determine whether this or that person really had a "need to know"; whether all extant copies of the confidential information remained within "care and control" of counsel at all times; whether counsel's certification that "no material whatsoever derived from such Confidential Information has been retained by any person

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23/ In this Application for Review, AMSC addresses only its concerns about its own access to the MSCI materials. There undoubtedly are others, however, that would be adversely affected by their complete exclusion from any opportunity to review and comment on the materials. At a minimum, these affected parties would include those that opposed MSCI's RDSS band applications. See Comments of 3S Navigation, Litton Systems, Aeronautical Radio, Inc., File Nos. 17-DSS-P-91(48), et al. (January 31, 1992).

having access thereto" was made in good faith; and whether the Commission can compel identification of persons reviewing the documents as to whom counsel assert "a need for confidentiality"; and whether counsel, one of the parties, or the Commission's own staff is responsible for a misappropriation. In addition, whenever information is submitted to the Commission with a request for confidentiality, the complex evaluation of the FOIA implications outlined above must take place.

So substantial a burden on the Commission's processes outweighs the marginal benefit to be obtained by the consideration of additional evidence in support of requests for Pioneer's Preferences. Assuredly, review of confidential information is not essential to the Commission's function of evaluating Pioneer's Preference claims.

The FCC should not assume that fear of disclosure of proprietary information will chill those who might seek preferences. Close to one hundred requests for Pioneer's Preferences have been filed to date, including MSCI's original request, and until MSCI's supplemental filling, all have made their showings without reliance on assertedly proprietary materials. Those seeking valuable Pioneer's Preferences have every incentive to supply sufficient information to allow the Commission and the public to adequately evaluate their claims.

In other cases, the Commission has recognized that when a party voluntarily places information into issue it is not entitled to expect confidential treatment. In Amaturo Group, Inc., 39 RR 2d 415 (1976), the Commission considered whether specifically exempt financial information filed by a television station became non-exempt when the station placed its own financial condition into issue:

> Decisive here is the fact that Studio placed its financial condition in issue in opposing the grant of the construction permit for Amaturo's proposed satellite station.... This being so, we believe the parties must have the basic